

**STATE OF NEW YORK
EXECUTIVE DEPARTMENT - OFFICE OF GENERAL SERVICES
MEMORANDUM**

TO: Agency Property Managers and Facility Contacts
FROM: Cheryl Contento
DATE: May 31, 2016
SUBJECT: Criteria for Lease Cost Reviews - Revision

Decision Guidelines for Lease Related Cost Reviews

With the consolidation of agency operations in the Business Service Center (BSC), OGS Real Estate Planning & Development has been asked by the Business Service Center to clarify when a cost justification is required for lease purchase orders outside of the scope of the standard lease. In order to implement this approach OGS has established a process described below in which the assistance of your agency is critical. Agency staff should understand the terms and conditions of each lease and be able to identify what services are covered by the lease and which are outside of the scope. Questions regarding the scope of the lease shall be directed to your leasing agent.

Lease Purchase Order Threshold Guidelines

An OGS cost justification and approval will be required for all work at leased properties that is related to capital construction, regardless of dollar amount. Most work requests that require review by the OGS Lease Construction Review Unit will have a formal scope of work or drawing attached. This type of work request will also require the landlord's approval to permit the subject modifications to the leased premises.

Examples of projects requiring cost justifications from the OGS Lease Construction Review Unit, regardless of dollar amount, include (but are not limited to):

1. Electrical modifications (lighting, receptacles, UPS systems, etc.).
2. Wall/ door modifications.
3. Modular furniture installation.
4. Finishes refurbishment (ex.: paint, carpet, vinyl composition tile (VCT)).
5. Connections for electrically operated equipment.
6. Replacement or major repairs exceeding tenant fit out costs that are described in the lease.
7. Construction or reconfiguration of additional offices or conference rooms.

Many of the above noted project types would likely be considered Tenant Alteration Requests (TAR). All requests for space modification cost justifications shall be forwarded to: ogs.sm.TAR@ogs.ny.gov. Requests will be assigned based on staff availability, familiarity and experience with the facility, lease location and scope of the request. In accordance with OSC guidelines, the review will be for cost value as well as reasonableness.

Routine and customary building expenses not included in the lease will require OSC approval. They should follow the agency's normal procurement process before submission to OSC. These products and services shall be procured using "OP" contracts. The lease number must be written on the face of the OP Contract and send to OSC for approval using a "TQM" batch type. Vendor Responsibility requirements apply, with the exception of OP contracts made payable to the landlord.

Routine and customary building expenses include products or supplies requested by the agency and provided or installed by the landlord or the landlord's vendor, **including:**

1. **Regular maintenance of the demised premise**
2. **Day to day supplies**
3. **Building services including overtime for security, elevator services, elevator attendants, replacement of lamps in lighting fixtures, repair of restroom fixtures or devices, custodial services including trash removal, custodial supplies, and pest management.**

If routine expenses for a single property exceed \$50,000 per year, the tenant agency shall enter into a formal service agreement with the vendor. This option shall be evaluated annually by the agency before purchase orders are drafted. Please contact OSC prior to formulating the formal service agreement.

It is the agency's responsibility to ensure that routine and customary building expenses are purchased in accordance with State Finance Law and Procurement Council Guidelines, including reasonableness of price. The following resources may be used to assess or demonstrate reasonableness of price:

1. If the landlord has services available, utilize the landlord list of services and associated costs for cost justification. (Ex. garbage removal / collection, light bulb replacement, cargo elevator usage, after hour's services.)
2. If services are not available from the landlord, obtain quotes for the services. (Ex. garbage disposal, cleaning services, maintenance contracts). The number of quotes recommended depends on the dollar value of the expense. We recommend the BSC's NYS Purchasing Requirements for BSC Customers be utilized as a guide: https://bsc.ogs.ny.gov/sites/default/files/PurchasingRequirements_Dec14.pdf
3. Follow the guidelines of Article 11 and Section 112 of the New York State Finance Law.

Note: Billings may escalate annually based on increases in operating expenses or property taxes. These issues are reviewed by Lease Expense Auditing. For these issues, please contact OGS Lease Audit at ogs.sm.LeaseAudit@ogs.ny.gov.

Agency representatives should familiarize themselves with the lease specific to their facility to understand appropriate charges or responsibilities for costs or repairs as defined in the lease.